

**OPENING REMARKS BY MR DAVID MAHLOBO, MP
MINISTER OF ENERGY OF THE REPUBLIC OF SOUTH AFRICA,
ON THE OCCASION OF THE OPENING SESSION OF THE AFRICA OIL AND
GAS WEEK CONFERENCE,
INTERNATIONAL CONVENTION CENTRE, CAPE TOWN,
23 OCTOBER 2017**

Programme Director

Excellencies, Ministers and Deputy Ministers

Captains of Industry

Distinguished Guests

Ladies and Gentlemen

Good morning

Introduction

1. On behalf of HE President Zuma, the government and the people of South Africa, I wish to welcome you to the City of Cape Town and South Africa, for this 24th Africa Oil Week (AOW). Indeed, we feel honoured that South Africa continues to be chosen to host this world class annual event. A special welcome to my colleagues Ministers from the continent, with whom I expect to interact during this week. We also welcome the US Secretary of Energy who is also joining us for this conference.
2. This conference takes place during the week in which we will be celebrating the Centenary of one of our country's finest leaders, President OR Tambo, this Friday at his birthplace in the Eastern Cape.
3. He was instrumental in laying the building blocks for the constitutional democracy we enjoy today. He led the ANC while in exile and traveled the world to lobby the support of the international community against apartheid.
4. We are proud to be associated with the Africa Oil Week, a forum where we discuss the common future of Africa, particularly for insight on Africa's legislative environment, investor outlook, acreage opportunities, exploration

and production developments, technology innovations, industry strategy and forecasts for the coming years.

5. The African Union Agenda 2063 calls on us as African governments and states to take certain steps now to ensure the continent's growth and sustainable development. In this regard, energy is a critical resource and an input element that must be used to propel our economies towards a growth trajectory in the next 50 years. The UN has noted that sustainable energy provides an opportunity to transform lives, economies and the planet.
6. For South Africa, a net oil and gas importing country, these interactions are of critical importance as we seek to further enhance energy security of demand and supply. We are however of the firm view that given the interest in our offshore acreage, we will soon be producers ourselves.
7. The conference takes place at a time when there is growing optimism about the potential of Africa's oil and Gas development given the sustained increase in crude oil prices. This bodes well for many of the continent's economies that had suffered when there was a downturn in commodity prices. I must however stress that net oil importing countries like ourselves have enjoyed the benefit of lower oil prices but were at the same time impacted by the downturn in other commodity prices such as iron ore and platinum group metals. We are however concerned that geopolitical rhetoric is once again having an impact on the price of oil other than normal market forces.

World Energy Dynamics

8. Oil and gas are the world's most important and valuable commodities and constitute a major source of revenue for governments and corporations that control production and distribution.

9. Many governments derive the bulk of their revenues from oil sales whilst many state owned corporations or private firms use this as a political, economic and security tool for influence. Control and ownership of this natural endowment also controls the revenue collection and allocation.
10. This also translate into geopolitical clout for some and economic vulnerability for others.
11. Many countries of the world are dependent on energy imports and nations with surpluses often exercise disproportionate influence on the world.
12. Conflict or energy war is due to external risk involvement in their conflicts- whether in the form of direct intervention, arms transfers, the sending of military advisors or economic assistance.
13. The struggle over energy resources has been a conspicuous factor in many recent conflicts. Looking closely once will see that at the heart of it all is the energy war.

South Africa's policy framework

14. I thought I should use this opportunity to share with your esteemed selves a bit about the South Africa energy sector policy environment. In 2012, the South African Government led by HE President Jacob Zuma launched South Africa's National Development Plan (NDP), which is a detailed blueprint for how the country can eliminate poverty and reduce inequality by the year 2030.
15. Amongst other things, it states that the energy sector will promote:
 - Economic growth and development through adequate investment in energy infrastructure and the provision of quality energy services that is competitively priced, reliable and efficient. Local production of energy technologies will support job creation;

- Social equity through expanded access to energy services, with affordable tariffs and well targeted and sustainable subsidies for needy households; and
- Environmental sustainability through efforts to reduce pollution and to mitigate the effects of climate change.

16. Furthermore, the NDP envisages a South Africa which, by 2030, will have amongst other things, adequate supply of liquid fuels to avoid disruptions to economic activity, transport and welfare. The NDP proposes diversity by way of alternative energy resources and energy supply options, both in terms of power generation and the supply of liquid fuels.

17. In as far as liquid fuels requirements are concerned, the NDP points out that South Africa face challenges with regard to existing refining capacity. Although the country has six refineries, four of which are crude oil refineries, our country imports an increasing share of refined products.

18. In order to address some of the emerging areas of concern, the Department of Energy undertook an audit of South African refineries and is developing a 20 Year Liquid Fuels Infrastructure Roadmap, which will be incorporated into the Draft Integrated Energy Plan. We are also in the process of finalising work to enable a decision about future additional refining capacity for the country.

19. Although demand for liquid fuels globally looks stagnant, the demand in Africa and the Asia-Pacific is growing. In Africa alone, a total of 9 refinery projects of 1.56 million barrels per day are being planned. We are aware that Nigeria is leading with work around one mega refinery of 650 000 barrels per day. In the Asia- Pacific region, a total of 80 refinery projects of 13.25 million barrels per day are planned. In the main, these additional infrastructure investments are led by China, India and Indonesia. Our resolve for the need for refinery expansion in South Africa is therefore not misplaced.

20. Sustainability of energy supply therefore needs to include a diversified energy mix that uses the most efficient primary energy resource for each application or energy service rendered.
21. Our primary policy instrument in this regard is the Integrated Resource Plan (IRP), which details our proposed energy mix and interventions over a 20-year period. As you would be aware, the IRP Review is currently underway, and we envisage finalising this important policy instrument soon.
22. Given South Africa's current socio-economic realities, our development focus and available resources, we have to take a pragmatic approach. We are implementing our energy mix policy by having 30% of clean energy by 2025.
23. The multifaceted nature of the energy policy requires for factors such as economic, social and environmental concerns to be considered in energy planning. There are therefore different sets of variables that inform energy planning nationally, regionally and globally and there cannot be a one-size fits all approach
24. As demonstrated by our renewable energy programme, we are committed to transition to a low-carbon economy, with priority to be given to clean energy alternatives, subject to current technological and cost constraints. We are already seeking ways and new technologies to use fossil fuels with minimal carbon emissions, in line with our climate change commitments.
25. South Africa recognises the role of nuclear power in ensuring security of energy supply and meeting the challenge of climate change. We promote an energy mix of coal, gas, renewables and nuclear. Each of these options has their role; some of the energy sources are intermittent supply and while others, such as nuclear and coal, are base-load supply.

26. Sustainability of our environment is key, and being a committed party to the Paris Convention, South Africa has set ambitious carbon reduction targets
27. For the South African Government to achieve its development objectives and to encourage investment, it continues to create an environment that is conducive to investments in the petroleum and gas infrastructure.
28. We are reviewing some pieces of legislation including regulations with a view to facilitating investments in the petroleum infrastructure. These include some amendments to the Petroleum Pipelines Regulations, especially given the need to promote investments in the Liquefied Petroleum Gas (LPG) infrastructure. Positive developments in the LPG infrastructure are emerging already and we are encouraged by such. Recently two new LPG import terminals were commissioned not far from here. This is in addition to the liquid bulk terminal that was also commissioned by Burgan.
29. South Africa has the possibility of introducing a variety of sources of natural gas which could be economically available within 25-year planning horizon to 2040. Sources could include extensive expansion in natural gas from shale gas, production from deep water offshore fields and development of regional natural gas pipeline network. Indigenous and regional gas can play a critical role in growing the economy of the country and the region.
30. A number of national policy documents, which include the White Paper on Energy for South Africa 1998, the National Development Plan (NDP), the Draft Integrated Energy Plan (IEP) and Integrated Resource Plan 2010-2030 (IRP 2010) present the case for natural gas as a significant contributor to South Africa's energy mix.

31. We envisage that a Gas to Power Programme incorporating LNG imports will be the main vehicle through which to stimulate this envisioned gas market in South Africa. It requires an all-inclusive effort by government and other stakeholders in South Africa. Over the past 2 years, we have been putting in place the enabling framework for private sector participation in our energy sector to enable gas industry development and growth.
32. With regard to infrastructure, we are planning for investment in LNG import terminals, storage and regasification facilities, primary high-pressure gas transmission pipelines and secondary distribution pipeline networks.
33. In pursuance of improving energy supply security and trade within the Southern Africa Development Community (SADC), South Africa entered into a Gas Trade Agreement with the Republic of Mozambique in 2004.
34. We remain optimistic that recent gas discoveries in the Rovuma basin in Mozambique will benefit the economies of this region and further bolster regional economic integration. We also look forward to the commercialisation of natural gas from Kudu Gas Field in Namibia. Coal Bed Methane prospects in South Africa, Zimbabwe and Botswana are an indication of the need for closer cooperation in this regard.
35. South Africa has also started strategic engagements with oil producing countries in Africa such as Nigeria, Equatorial Guinea, Morocco and South Sudan, with an economic objective to sustain our security supply.
36. H.E. President Zuma as the Chairperson of SADC has called for the development of a masterplan to facilitate regional gas trade within SADC.

37. We have taken note of global industry shifts that have set itself the vision to enter the global gas market and promote the development of a domestic and regional gas market. We also are of the firm view that natural gas can improve the efficiencies of many industries currently using sub-optimal fuel sources in their production processes and resulting in a turnaround of diminishing industrial capacity and demand in South Africa.
38. On economic transformation, we are, together with relevant South African stakeholders, including the liquid fuels industry, developing the petroleum sector codes to promote transformation in the sector, a key moral and legislative commitment to ensure the maximum and meaningful participation of the disadvantaged sections of our society.
39. We have to work together towards a radically transformed and inclusive economy. This is a non-negotiable in our context, and includes emphasis on skills transfer and enterprise development to create additional opportunities for transformation and empowerment in the country, the regions and the continent as a whole.
40. Our collective action must contribute to South Africa's broader national development objectives, including economic development, social upliftment, job creation, broad based economic empowerment and development of small and women owned vendors.

Conclusion

41. Excellencies, Ladies and Gentlemen, we look forward to the outcomes of this week's engagements and discussions, and trust that sharing of developments and emerging trends in the industry will further galvanize us, both as individual countries and organisations, but also as a collective, to

make an immense contribution to the improvement of the sector benefitting the entire African continent.

42. As leaders in the African continent and the rest of the world, we must always be preoccupied by the impact of the decisions we take in advancing regional and continental growth. We must always be mindful of new tendencies that advocate protectionism at the expense of multilateralism.

43. These tendencies must be frowned upon and must not be allowed to take shape. We must always engage each other in a spirit of the warm African continent, whose people yearn for sustainable economic growth.

44. I wish you well in this week's deliberations and I hope you will take time off to also enjoy the warm hospitality that our country's world class tourism products off

45. To the organisers, we congratulate you for the sterling work you've done!!

I thank you.